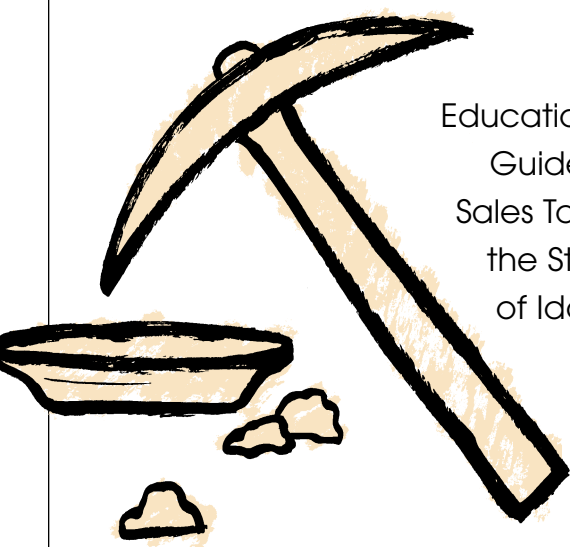


Tax Commission

# IDAHO

## MINING



An  
Educational  
Guide to  
Sales Tax in  
the State  
of Idaho

This brochure is intended to help people in the mining industry understand the sales tax laws that apply to their business. This information is based on the laws and rules in effect on April 1, 2003.

## CAN MY MINING COMPANY MAKE TAX-EXEMPT PURCHASES?

Yes, in some cases. Many goods used for mining are exempt from tax under the production exemption (see Brochure #30 — The Production Exemption).

You may buy these goods tax-exempt in one of two ways:

- 1) Give the seller a completed form ST-101, Sales Tax Resale or Exemption Certificate. Once on file with the seller, this form is valid for all future exempt purchases.
- 2) Fill in a "Production Exemption" claim printed or stamped on the seller's invoice or on your purchase order. If you do this for each exempt purchase, you do not have to give your suppliers a form ST-101.

Read Brochure #5 for more information on exemption claim forms.

## WHAT ITEMS CAN I BUY TAX-EXEMPT FOR USE IN AN UNDERGROUND MINE?

Generally, equipment directly used in the mining of ore is exempt from sales or use tax. The following types of activities and equipment are exempt when bought for use in an underground mine:

- Development of known ore deposits, including diamond drilling and other activities involving levels, laterals, crosscuts, drifts, stopes, raises and shafts
- Support materials, including timbers, rock bolts, concrete and matting
- Pneumatic rock drills
- Air compressors that supply compressed air to operate pneumatic drills
- Blasting supplies, including explosives, caps and fuses
- Slushing/mucking activities to convey broken ore and waste to passes and chutes:
  - Slushers, muckers
  - Scrapers
  - Backhoes used to recover both ore and waste
  - Hoists
  - Loaders

- Haulage, including locomotives; cars; track, spikes and equipment used to clean tracks; ore dumps and bins; batteries used to power locomotives; electrical distribution systems including light signals, conveyors; "skips"; hoists and hoist cable; shafts, including shaft timbers, shaft stations, shaft pockets, shaft guides, concrete, etc.
- Backfilling, including pumps, sumps, pipe and concrete
- Certain personal equipment (except hand tools costing \$100 or less), including hard hats, miners' lights, belts and batteries
- Sampling and assaying for quality control purposes

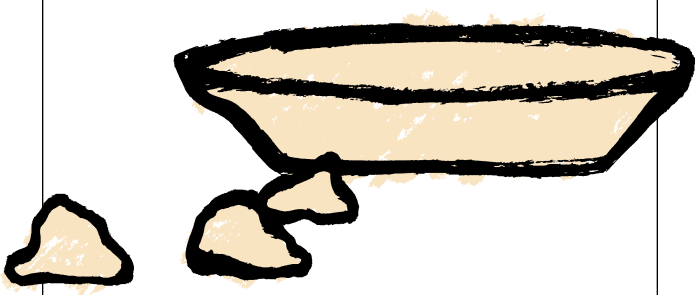
## WHAT ITEMS CAN I BUY TAX-EXEMPT FOR USE IN AN OPEN PIT MINE?

Generally, the following activities and equipment are exempt from tax when bought for use in an open pit mine:

- Blasting and drilling of ore or overburden to loosen it for removal, including track drills, compressors, rotary drills, drill rods and drill bits
- Ore and overburden extraction and removal, including front end loaders, track loaders, power shovels, backhoes, scoop loaders and similar equipment
- Haulage of ore and overburden to stockpiles, loading sites or disposal sites at the mine, including scrapers, carryalls and off-highway trucks and trailers
- Sorting, grading, sizing or crushing ore, including bulldozers, loaders, crushers and conveyors

## HOW DOES SALES OR USE TAX APPLY TO PROCESSING OF ORE?

If you also process ore partially or completely through a smelting process, see Brochure #30 — The Production Exemption.



## IF I EXTRACT ROCK TO PRODUCE GRAVEL, CAN MY BUSINESS BE CONSIDERED OPEN PIT MINING?

Yes. The production exemption applies to your business as long as its primary purpose is to produce gravel that you will resell. If you are removing the gravel primarily to use in performing contracts to improve real property, then the production exemption does not apply (see Brochure #40 — Contractors).

## ARE REPAIR PARTS TAXABLE?

Repair parts used on exempt equipment are tax-exempt.

## WHAT ABOUT SAFETY EQUIPMENT AND SUPPLIES?

Safety equipment and supplies are tax-exempt if they are required by a state or federal agency and used in a production area.

However, safety equipment and supplies used in non-production areas, such as first aid kits or fire extinguishers used in the accounting office, are taxable.

## IS POLLUTION CONTROL EQUIPMENT EXEMPT?

Yes, if the equipment is required by a state or federal agency with authority to set air and water quality emission standards. However, the exemption only applies to equipment. It does not include other pollution control supplies, such as chemicals, or anything that becomes a fixture to real property, such as a smoke stack.

Also, the exemption does not apply to any pollution control equipment required for a licensed motor vehicle.

## WHAT KINDS OF PURCHASES ARE TAXABLE?

Some items do not qualify for the production exemption:

- Licensed motor vehicles (There is a special exemption for some heavy trucks and trailers used in interstate commerce. See Brochure #41 — Transportation.)
- Office equipment and supplies
- Hand tools with a unit price of \$100 or less are always taxable, regardless of how they are used

- Equipment and supplies used in selling and distribution activities
- Paint, plastic coatings and similar products used to maintain equipment
- Equipment and supplies used primarily for exploration, including rotary drills, drill rigs, blasting equipment, seismic equipment and front end loaders
- Equipment used to repair production equipment
- Janitorial equipment and supplies
- Safety equipment and supplies that are not required by a state or federal agency, or are required but are not used directly in a production activity
- Items that will become improvements or fixtures to real property

## WHEN DO I HAVE TO CHARGE SALES TAX?

You must collect tax from your customers when they are the final consumers of the items you sell. For **example**, tax must be collected on:

- Sales of hand tools or other supplies to employees
- Sales of business assets to another business, unless the buyer qualifies for an exemption and properly completes a form ST-101 for your records
- Sales of product to final consumers or to employees

## FOR MORE INFORMATION, READ:

Brochure #2	Use Tax
Brochure #30	The Production Exemption
Rule 039	Sales of Bullion, Coins or Other Currency
Rule 072	Application and Payment of Use Tax
Rule 079	Production Exemption
Rule 081	Underground Mining
Rule 082	Above-ground (Open Pit) Mining

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It does not provide comprehensive  
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Idaho State Tax Commission  
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